SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

0-19780
0-34854

FORM 10-Q

(Mark One)

14pp
cfq2-2238

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 O..
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended

92 15 6122

March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from to_____to_____

PROCESSED BY
14-13-V
MAY 1992

Commission file number 0-15125

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SPINNAKER SOFTWARE CORPORATIO.

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Q-Data Corp. - St. Petersburg, FL

(Exact name of registrant as specified in its charter)

MINNESOTA (State or other jurisdiction of incorporation or organization)	41-1435413 (I.R.S.Employer Identification No.)
201 Broadway, Cambridge, MA (Address of principal executive offices)	02139 (Zip Code)

Registrant's telephone number including area code: (617)494-1200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X NO _____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common Stock, $.01 par value per share, outstanding as of April 30, 1992: 11,609,603

Total of Sequentially Numbered Pages: 14
Exhibit Index on Page: 13

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SPINNAKER SOFTWARE CORPORATION

FORM 10-Q

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

SPINNAKER SOFTWARE CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	March 31, 1992 (Unaudited)	June 30, 1991
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,223,434	$ 1,351,313
Accounts receivable, less allowance for doubtful accounts of $485,000 and $506,000	6,685,409	4,549,350
Inventories	965,112	649,723
Prepaid expenses	382,949	133,728
Total current assets	10,256,904	6,684,114
Other assets:		
Royalty advances, less accumulated amortization and allowance for losses of $ 631,000 and $1,360,306	1,015,456	815,895
Capitalized software and production costs, less amortization of $2,778,000 and $1,367,848	3,494,330	2,985,785
Trademarks, trade names and distribution rights, less amortization of $1,163,775 and $341,596	4,389,564	5,051,067
Total other assets	8,899,350	8,852,747
Equipment, fixtures and leasehold improvements:		
Machinery and equipment	1,479,848	1,205,122
Furniture, fixtures and leasehold improvements	329,826	164,685
	1,809,675	1,369,807
Less accumulated depreciation and amortization	872,797	651,104
	936,878	718,703
Goodwill, less accumulated amortization of $ 335,894 and $237,335	1,078,799	1,000,976
	$21,169,931	$17,256,540

SPINNAKER SOFTWARE CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	March 31, 1992	June 30, 1991
	(Unaudited)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 4,246,262	$ 3,054,484
Accrued royalties	1,924,001	1,315,589
Allowance for estimated returns	625,804	693,303
Total current liabilities	6,796,067	5,063,376
Subordinated debt -Phemus Corporation	6,995,050	6,348,696
Stockholders' equity:		
Common stock, $.01 per value: authorized 20,000,000 shares, issued 11,598,262 and 11,548,712	115,982	115,487
Additional paid-in capital	26,009,238	25,756,433
Deficit	(18,841,409)	(19,923,877)
Foreign currency translation adjustment	95,003	(103,575)
Total stockholders' equity	7,378,814	5,844,468
	$ 21,169,931	$ 17,256,540

See Accompanying Notes to Unaudited Consolidated Financial Statements

SPINNAKER SOFTWARE CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		Nine Months Ended	
	March 31, 1992	March 31, 1991	March 31, 1992	March 31, 1991
Net sales	$7,958,865	$4,428,526	$23,216,134	$9,231,609
Gain on Sale of Product Line	—	—	—	245,022
Total Net Revenue	7,958,865	4,428,526	23,216,134	9,476,631
Cost of goods sold	2,727,606	1,718,445	8,302,650	3,779,402
Gross Profit	5,231,259	2,710,081	14,913,484	5,697,229
Selling, general and administrative	4,709,507	2,462,775	13,151,626	6,408,644
Interest expense, net of interest income	218,274	136,485	611,741	363,048
Income (loss) before income taxes	303,478	110,821	1,150,117	(1,074,463)
Income taxes	14,650	—	67,650	—
Net income (loss)	$288,828	$110,821	$1,082,467	($1,074,463)
Net income (loss) per common share and commonequivalent share (primary and fully diluted)	$ .02	$.01	$ .08	($.11)
Common and common equivalent shares used in calculation of net income (loss) per share (primary and fully diluted)	14,838,084	13,254,547	13,810,817	9,873,113

See Accompanying Notes to Unaudited Consolidated Financial Statements.

SPINNAKER SOFTWARE CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended	
	March 31,1992	March 31,1991
Cash flows from operating activities:		
Net income (loss)	$ 1,082,467	($1,074,463)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	2,987,406	1,263,451
Deferred interest	646,354	168,223
Gain on sale of product line	—	(245,022)
Changes in:		
Accounts receivable	(2,136,060)	(702,885)
Inventories	(315,389)	373,280
Prepaid expenses	(249,221)	(31,086)
Accrued liabilities	1,732,691	(136,542)
Total adjustments	2,665,781	689,419
Net cash provided by (used for) operating activities	3,748,248	(385,044)
Cash flows from investing activities:		
Sale (purchase) of equipment, fixtures and leasehold improvements, net	(440,606)	(79,967)
Royalty advances	(630,463)	(139,666)
Capitalized software and production costs	(1,894,510)	(902,109)
Net cash used for investing activities	(2,965,579)	(1,121,742)
Cash flows from financing activities:		
Net borrowings from term note	—	1,000,000
Net borrowings (repayment) under line of credit	—	(875,729)
Net proceeds from exercise of employee Stock Options	89,452	319,783
Net proceeds from sale of product line	—	760,000
Net cash provided by financing activities	89,452	1,204,054
Increase (Decrease) in cash and cash equivalents	872,121	(302,732)
Cash and cash equivalents, beginning of period	1,351,313	920,515
Cash and cash equivalents, end of period	$2,223,434	$ 617,783
Supplemental disclosure of cash flow information:		
Interest paid during the period	$ 138,000	$ 69,000

See accompanying Notes to Unaudited Consolidated Financial Statements.

SPINNAKER SOFTWARE CORPORATION AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles. In the opinion of management, all adjustments (consisting of normal recurring "entries" or "adjustments") considered necessary for a fair presentation have been included.

2. The unaudited consolidated financial statements should be read in conjunction with the financial statements for the fiscal period ended June 30, 1991 as filed in the Form 10-K which was filed by the Company on September 30, 1991.

3. The Company follows the provisions of Financial Accounting Standards Board Statement No. 96 in accounting for income taxes. There is no tax effect the quarter and nine months ended March 31, 1991. The quarter and nine months ended March 31, 1992 income tax expense is less than the Federal statutory rate due to the impact of net operating loss carryfowards.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion pertains to Spinnaker's results of operations and financial condition for the three months and nine months ended March 31, 1992, compared to the three months and nine months ended March 31, 1991 and should be read in connection with Spinnaker's unaudited financial statements and related notes contained in this report.

Results of Operations

The following table sets forth, for the periods indicated, certain expenses and other items in Spinnaker's statements of operations as a percent of net sales:

	Three Months Ended		Nine Months Ended	
	March 31, 1992	March 31, 1991	March 31,1992	March 31,1991
Net Revenue	100%	100%	100%	100%
Cost of sales	34.3	38.8	35.8	39.9
Gross profit	65.7	61.2	64.2	60.1
Selling, general and administrative expenses	59.2	55.6	56.6	67.6
Operating income (loss)	6.5	5.6	7.6	(7.5)
Interest expense	2.7	3.1	2.6	3.8
Income taxes	.2		.3	
Net income (loss)	3.8	2.50	4.7	(11.3)

Net Revenue. Spinnaker's net revenue for the three months ended March 31, 1992 was $7,958,865 as compared to $4,428,526 for the three months ended March 31, 1991. Net revenue for the nine months ended March 31, 1992 was $23,216,134 as compared to $9,476,631 for the nine months ended March 31, 1991. The increase in revenue for the quarter can be attributed to continued strong sales of PFS: WindowWorks, PFS: Resume and Job Search Pro, PFS: Write, and the more established PFS: brand products-- PFS: First Choice and PFS: First Publisher. In addition, during the quarter ended March 31, 1992, the Company generated significant sales from the introduction of eight new products. The new

product offerings included PFS: Publisher, PFS: Business Plan, PFS: Prospect and five titles marketed under the Easy Working for Windows series of products. The PFS: Division continued to have very strong sales through OEM distribution channels, specifically bundling arrangements with personal computer hardware manufacturers. The PLUS product line accounted for approximately $500,000 in net revenue for the quarter ended March 31, 1992 compared to approximately $ 200,000 for the quarter ended March 31, 1991. The major portion of revenue generated in the PLUS division was from shipments of Personal Access, the Company's database access and application development tool. The Company also recorded $650,000 of net revenue on the sale of several non-strategic products in its productivity line.

Gross Profit Gross profit as a percentage of net revenue was 65.7% for the three months ended March 31, 1992 as compared to 61.2% for the three months ended March 31, 1991, and was 64.2% for the nine months ended March 31, 1992, as compared to 60.1% for the nine months ended March 31, 1991. The increase in gross profit percentage for the quarter and the year to date is due primarily to a change in the revenue mix to higher price, higher margin PFS: products and PLUS products. The increase is somewhat offset by higher OEM revenues which generate lower margins than do full product sales.

Selling General and Administrative Selling general and administrative expenses for the quarter ended March 31, 1992 were $4,709,507, or 59.2% of net revenue, as compared to $2,462,775, or 55.6% of net revenue, for the quarter ended March 31, 1991, and were $13,151,626, or 56.6% of net revenue, for the nine months ended March 31, 1992, as compared to $6,408,644 for the nine months ended March 31, 1991, or 67.6% of net revenue. Selling, general and administrative expenses have increased in absolute dollar amounts on a quarter and year to date basis due to increased staffing in sales, marketing, product support and product development in both the PFS: and PLUS divisions. In addition to the increased staffing, the Company has increased its spending on cooperative advertising, trade advertising, package development, promotional activities, and direct mail by approximately $2,100,000 over the prior fiscal year. Lastly, due to acquisitions made in fiscal 1991, expenses for amortization of trademarks and trade names were approximately $270,000 and $810,000 for the quarter and nine months ended March 31, 1992, respectively; for the comparable periods of 1991 these expenses totaled approximately $108,000. Selling, general and administrative expense as a percentage of net revenue decreased comparatively on a year to date basis due to the higher sales volumes.

Interest Expense Interest Expense was $218,274 for the quarter ended March 31, 1992 as compared to $136,485 for the quarter ended March 31, 1991, and $611,741 for the nine months ended March 31, 1992, as compared to $363,048 for the period ended March 31, 1991. The increase in interest expense is due to increased levels of

outstanding subordinated debt. During fiscal 1991, an additional $3 million in subordinated debt was borrowed from Phemus Corporation (an affiliate of Harvard Management Company and one of the Company's principal stockholders) in two increments: $1 million on November 9, 1990 and $2 million on April 16, 1991. Both notes bear annual interest at 14% rate payable upon maturity.

Net Income Spinnaker posted net income of $288,828 or $ .02 per share, for the quarter ended March 31, 1992 as compared to net income of $110,821, or $.01 per share for the quarter ended March 31, 1991, and net income of $1,082,467, or $.08 per share, for the nine months ended March 31, 1992 as compared to a net loss of $1,074,463, or $(.11) per share, for the nine months ended March 31, 1991. For the nine months ended March 31, 1991, the Company's results during the quarter ended March 31, 1991 reflected the acquisition of the PFS: product line from Software Publishing Corporation (in January 1991) and the initial shipments of the Company's PFS: WindowWorks product. The increase in net income on a quarter and year to date basis in 1992 is due to the continued strong PFS: division sales and increasing PLUS division revenues, both of which contributed higher gross margins in 1992 compared to the prior fiscal periods. In addition, selling, general and administrative expenses were held to much lower percentage of net revenue on a year to date basis and a slight increase on a quarter to quarter comparison.

Liquidity and Capital Resources Spinnaker's working capital as of March 31, 1992 was $3,460,838, an increase of $1,151,745 from June 30, 1991. This increase is attributable to the increased revenue from the PFS: and PLUS divisions as previously discussed. The Company is still considering opportunities to obtain additional equity financing and/or to establish commercial lending arrangements.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings.

On April 27, 1992, Software Publishing Corporation ("SPC"), a principal stockholder of the registrant, filed a Demand For Arbitration (the "Demand") against the registrant with the American Arbitration Association in San Francisco, California. The Demand alleges that the registrant has unreasonably delayed the registration of shares of the the registrant's Common Stock held by SPC in violation of a certain Asset Purchase Agreement and Registration Rights Agreement entered into between the registrant and SPC in January 1991. The Demand seeks injunctive relief against the registrant as well as damages in an unspecified amount. On May 11, 1992, the registant requested that the venue of the arbitration proceedings be transferred to Boston, Massachusetts, and on May 15, 1992 filed an Answer and Counterclaim with the American Arbitration Association in Boston. After consultation with counsel, it is management's belief that the registrant has meritorious defenses to SPC's claims and that, in any event, the probable outcome of the arbitration will not materially adversely affect the registrant or its operations.

Item 4. Submission of Matters to a Vote of Security - Holders

At the Special Meeting in lieu of Annual Meeting of Stockholders of the Company (the "Annual Meeting") held on March 17, 1992, a majority of the Company's stockholders approved the Company's 1991 Stock Plan, pursuant to which options and other rights for the purchase of up to an aggregate of 500,000 shares of the Company's Common Stock, $.01 per value per share, may be granted to employees, including officers, directors and consultants of the Company. A total of 7,716,538 shares, or 66.6% of the Company's issued and outstanding Common Stock as of the date of the Annual Meeting, voted for approval of the 1991 Stock Plan, and 959,505 shares, or 8.3%, voted against approval of the 1991 Stock Plan.

Item 6. Exhibits and Reports on Form 8-K

(a) The following exhibits required by Item 601 of Regulation S-K are filed as part of this quarterly report on Form 10-Q:

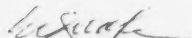
11.Statement regarding computation of per share earnings.

(b) No reports on Form 8-K were filed during the quarter ended March 31, 1992

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SPINNAKER SOFTWARE CORPORATION

By: 

E. Ronald Goldfuss
Vice President and
Chief Financial Officer

May 19, 1992

Exhibit Index

Exhibit Number		Page number in sequentially numbered copy
11	Statement regarding Computation of Per Share Earnings	14

Exhibit 11

SPINNAKER SOFTWARE CORPORATION AND SUBSIDIARY

Computation of average number of shares outstanding used in determining income (loss) per share

	Three Months Ended		Nine Months Ended	
	March 31, 1992	March 31,1991	March 31,1992	March 31,1991
	(Primary and Fully Diluted)		(Primary and Fully Diluted)	
Net income (loss)	$ 288,828	$ 110,827	$ 1,082,461	($1,074,463)
Weighted average number of common shares outstanding	11,583,777	11,000,792	11,562,123	9,973,113
Assumed conversion of all dilutive common stock equivalents based on average market value	3,254,307	2,253,755	2,248,694	(A)
Weighted average number of shares used in per share computation	14,838,084	13,254,547	13,810,817	9,873,113
Income (loss) per share	$ .02	$.01	$ .08	($.11)

Notes to computations of income (loss) per share:

(A) No impact included due to result for the periods; inclusion would be antidilutive.